



IOWA DEPARTMENT OF NATURAL RESOURCES

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For immediate release

MARKET SPECULATION AND SUPPLY AND DEMAND PRESSURES DRIVE OIL TO RECORD HIGHS

MEDIA CONTACT: Jim Bodensteiner, DNR, (515) 281-8416 or Jim.Bodensteiner@dnr.iowa.gov

DES MOINES — Driven by market speculation and supply and demand pressures, the price of crude oil continued to move up and down over the past month, hitting a record price of \$139.89 a barrel on June 16 and settling at \$136.25 for a barrel of West Texas Cushing Sweet Crude Oil on June 18, a 2.6 percent increase over the May 21 price of \$132.78 and a 99.8 percent increase over the June 2007 price of \$68.20.

“Supply and demand pressures are playing a larger role in oil’s trend upward,” said Jim Bodensteiner, an Iowa Department of Natural Resources Program Planner. “While production is declining in non-OPEC nations such as Mexico, Norway and the United Kingdom, and supply disruptions are possible in some OPEC countries, global demand for oil is increasing, largely due to increased consumption by China, India, and other developing nations.”

According to the U.S. Department of Energy’s Energy Information Administration (EIA), non-OPEC nations produce roughly 60 percent of the world’s total oil production.

The June 17 average price of 10 percent ethanol blended mid-grade gasoline in Iowa was \$3.86 per gallon, a 5.5 percent increase from May’s average price of \$3.66 per gallon and a 32.2 percent increase from the June 2007 price of \$2.92 price per gallon of the same blend. In its June 10 *Short-Term Energy Outlook*, EIA projects that the U.S. retail price for regular-grade motor gasoline will peak at \$4.15 in August, and the 2008 price will average \$3.78 per gallon, 34.5 percent above 2007’s average price of \$2.81.

Diesel fuel continued to post record high prices throughout Iowa and the U.S., reaching an Iowa record average of \$4.70 per gallon on May 30 and a U.S. record average of \$4.80 per gallon on June 16. The June 17 average price for diesel in Iowa was \$4.68 per gallon, \$0.19 higher than May's price and up 66 percent from the June 2007 price of \$2.82. EIA projects that retail diesel fuel prices will average \$4.32 per gallon in both 2008 and 2009, an increase of \$1.44 per gallon over the 2007 average.

On June 17, natural gas was trading at \$12.96/MMBtu, up \$1.13/MMBtu from last month and \$5.38 higher than one year ago, a 71 percent increase. The EIA reports that working natural gas in storage as of May 30, 2008 was 1,806 Bcf, 1 Bcf below the 5-year average (2003-2007), and 326 Bcf below the level during the corresponding week last year. Below average inventories, high crude oil prices, increased consumption, and decreased liquefied natural gas imports are expected to continue to pressure natural gas prices higher, boosting the price consumers will pay to heat their homes during the 2008-2009 heating season significantly above the price they paid last season.

A survey completed by the Iowa Department of Natural Resources on June 17 indicated that the average retail price of heating oil in Iowa was \$4.27 per gallon, \$0.13 higher than last month, and \$1.83 higher than the price of heating oil at this time last year, a 75 percent increase. The same survey found that propane is selling in Iowa for an average of \$2.18 per gallon across the state, \$0.03 higher than a month ago, and \$0.64 higher than the price at this time last year, a 41.6 percent increase.

For tips on saving energy and money at home and on the road, consumers are encouraged to take the 6° Challenge at www.sixdegreechallenge.org/default.aspx.

10% Ethanol Average Retail Price Per Gallon -- Major Iowa Cities

| Self-Serve Ethanol | 6/17/08 | 5/21/08 | Difference |
|---------------------------|----------------|----------------|-------------------|
| Ames | \$3.88 | \$3.65 | +\$0.23 |
| Cedar Rapids | \$3.94 | \$3.65 | +\$0.29 |
| Council Bluffs | \$3.76 | \$3.59 | +\$0.17 |
| Davenport | \$3.83 | \$3.66 | +\$0.17 |
| Des Moines | \$3.81 | \$3.63 | +\$0.18 |
| Dubuque | \$4.01 | \$3.78 | +\$0.23 |
| Fort Dodge | \$3.89 | \$3.64 | +\$0.25 |
| Iowa City | \$3.91 | \$3.71 | +\$0.20 |
| Sioux City | \$3.84 | \$3.66 | +\$0.18 |
| Waterloo | \$3.77 | \$3.64 | +\$0.13 |
| Webster City | \$3.85 | \$3.68 | +\$0.17 |

| | | | |
|----------------------------|---------------|---------------|----------------|
| Average Metro Price | \$3.86 | \$3.66 | +\$0.20 |
|----------------------------|---------------|---------------|----------------|

Source: Oil Price Information Service, www.opisnet.com

Motor Fuels Survey State Average Price Per Gallon

| Self-Serve | 6/17/08 | 5/21/08 | Difference |
|------------------------------------------|----------------|----------------|-------------------|
| Regular Unleaded with 10% Ethanol | \$3.86 | \$3.66 | +\$0.20 |
| Regular Unleaded | \$3.92 | \$3.73 | +\$0.19 |
| Premium Unleaded | \$4.03 | \$3.82 | +\$0.21 |
| Diesel | \$4.68 | \$4.49 | +\$0.19 |

Source: Oil Price Information Service, www.opisnet.com

Heating Fuels Survey

| Heating Fuel Type | 6/17/08 | 5/21/08 | Difference |
|--------------------------|--------------------|--------------------|----------------------|
| Natural Gas | 12.96/MMbtu | 11.83/MMbtu | +\$1.13/MMbtu |

Source: Wall Street Journal

| Heating Fuel Type | 6/17/08 | 5/20/08 | Difference |
|--------------------------|----------------|----------------|-------------------|
| Propane | \$2.18 | \$2.15 | +\$0.03 |
| #2 Heating Oil | \$4.27 | \$4.14 | +\$0.13 |

Source: Iowa Department of Natural Resources